DISTRIBUTION CENTERS

Transportation/Fleet

Most products arrive at supermarkets from distribution centers via the open highway. Among wholesale companies the most popular means are: common carriers, company trucks, and contract carriers. But among retailers, company trucks are the most popular followed by common carriers, and independent truckers. Only 7.5 percent of retailers' inbound truck loads are carried by contract carriers.

Typical Fleet Per Company	
Number of Trailers	
Refrigerated	95
Dry	91
Number of Tractors	
1-Axle	69
2-Axle	13
Ratio of Trailers to Tractors	2.3

Over 85 percent of the trailers used to deliver products are company owned. The rate is a little higher for retailers, and a little lower for wholesalers. The proportion of tractors owned is a little less—80.1 percent—than the trailers. Unlike trailers, however, more wholesale companies own tractors, than do retail companies. All in all, 88.5 percent of the truck fleet miles driven are driven on an owned rather than leased fleet.

Proportion of Fleet Owned	Total	Retailers	Wholesalers
Trailers	85.4%	87.6%	83.5%
Tractors	80.1%	77.9%	81.8%

Dry Grocery Distribution Centers

The average total area for all dry grocery distribution centers was 230,000 square feet. Retail centers tended to be larger than wholesale centers. Additionally, the average number of items available in a center was is 7,000.

The average number of employees in dry centers is 88. The average number of inbound truck loads per week is 120, whereas the average number of inbound rail cars per week is nine. The average number of outbound vehicle loads per week is 150.

Dry Grocery Distribution Centers	
Average Total Area	
Total Centers	230,000
Retail Centers	252,600
Wholesale Centers	200,000

Looking at the productivity figures, the average number of cases stored and replenished per direct labor hour is 330, while the number selected per direct labor hour is 160.

Refrigerated Distribution Centers

This year FMI collected data for several types of refrigerated distribution centers. Following are results about some of these centers.

Produce

Produce distribution centers average about 40,000 square feet with retail centers being larger than wholesale centers. The average

Produce	
Average Number of Items Available	488
Less than 10,000	—
10,000-19,999	250
20,000-39,000	294
40,000-79,000	610
80,000 or more	760

Produce	
Average Number of Employees	31
Less than 10,000	—
10,000-19,999	29
20,000-39,999	18
40,000-79,999	36
80,000 or more	67

Over half of all produce centers operate six to seven days per week, with about one-third operating five

Produce	
Average Total Area	
Total Centers	40,000
Retail Centers	40,540
Wholesale Centers	36,220
Average Number of Inventory Turns	75
Less than 10,000	—
10,000-19,999	100
20,000-39,999	75
40,000-79,999	71
80,000 or more	72

to six days per week. Produce centers average 63 inbound truck loads per week, and they ship an average of 47,400 cases per week.

An average of 420 cases are stored and replenished per direct labor hour. And the average scratch rate is two percent.

Meat

The average total area for meat distribution centers was 20,000 square feet. Forty-four percent of the meat distribution centers operated five days a week, 31 percent operated six days and 25 percent operated seven days a week. There is a clear preference on number of shifts per day, with almost three-quarters using two shifts per day. Thirty-five percent chose three shifts per day.

Meat	
Average Number of Cases Shipped per Week	28,626
Average Number of Cases Shipped per Direct Labor Hour	250
Average Number of Cases Selected per Direct Labor Hour	144
Average Number of Cases Stored and Replenished per Direct Labor Hour	328

The typical meat distribution center carried 480 items. And, these centers turned over their inventory over 52 times a year. Wholesalers processed 450 orders per week while retailers processed 286.

Although distribution centers can receive shipments via rail and truck, the typical center received 50 truck loads per week. Outbound, the average number of veh-

icle loads per week was 35. In terms of selection methods, all of the companies use manual selection.

With regard to distribution center productivity, the average number of cases shipped per direct labor hour was 250. The average number of cases stored and replenished per direct labor hour was 328. The average number of cases selected per direct labor hour was 144.

Meat	
Average Total Area in Square Feet	
Total Centers	*20,000*
Retail Centers	*32,000*
Wholesale Centers	*16,000*

The average number of supermarkets served per meat distribution center was 111. The average number of cases shipped per week was 28,626.

Dairy

The average total area for dairy distribution centers was 13,920 square feet. Distribution centers of retailers, at 15,720 square feet, were larger than those of wholesalers, at 13,605 square feet.

The dairy distribution centers showed a clear preference on the number of days they operated per week. Fifty-two percent operated five days a week. There was also a clear choice on number of shifts per day; 64 percent operated a two-shift day.

The typical dairy distribution center had an average of seven employees. Just about three-quarters of all dairy centers reported had employees who were unionized.

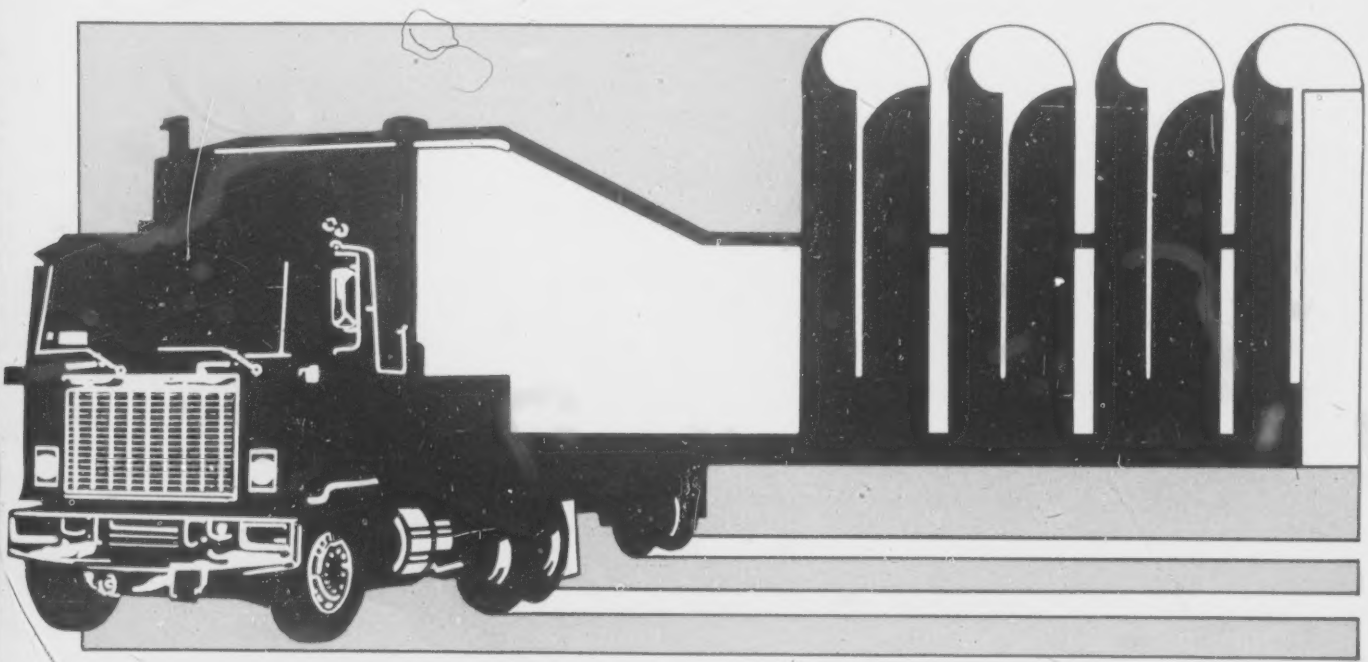
The typical dairy distribution center carried an average of 450 items, while the larger centers, those between 20,000 and 39,999 square feet in size, carried 588 items. The typical dairy distribution center turned its inventory over 22 times a year.

The typical dairy distribution center received 20 truck loads per week. It served 44 supermarkets and shipped about 22,845 cases per week. Wholesalers processed 250 orders weekly, while retailers processed fewer orders at 132.

Productivity measures for dairy centers show that the average number of cases shipped per direct labor hour was 345. The average number of cases stored and replenished per direct labor hour was 513. The average number of cases selected per direct labor hour was 197.

Number of Shifts Operated Per Day in Distribution Centers

	All Centers	Wholesale Centers	Retail Centers
Dry Grocery			
Less than one	0.9%	—	1.7%
One up to two	19.8%	1.7%	37.9%
Two up to three	48.3%	60.3%	36.2%
Three up to four	31.0%	37.9%	24.1%
Produce			
One up to two	19.4%	—	28.0%
Two up to three	61.1%	63.6%	60.0%
Three up to four	19.4%	36.4%	12.0%
Meat			
One up to two	—	—	—
Two up to three	64.7%	72.7%	50.0%
Three up to four	35.3%	27.3%	50.0%
Dairy			
Less than one	4.5%	—	10.0%
One up to two	9.1%	8.3%	10.0%
Two up to three	63.6%	66.7%	60.0%
Three up to four	22.7%	25.0%	20.0%



OPERATIONS

Produce Department

FMI first conducted a retail produce department survey for 1979 store operations. In that survey, the median percent of total selling area devoted to produce was eight percent with a middle range of eight to nine percent. In 1983, the area devoted to produce increased to 10 percent with greater variation in the middle range, 8 to 11 percent.

Eighty-three percent of the companies said the selling area devoted to produce had remained about the same from 1982 to 1983. About 16 percent said the area increased an average of three percent, and two percent said it decreased an average of two percent. Perhaps the rapid growth of this department over the last few years is beginning to stabilize.

In 1983, the produce department produced 8.5 percent of total sales. Since 1982, almost 55 percent of all companies increased their produce department sales as a percentage of total sales, but only by 1.7 percent. Twenty percent showed decreases of 1.5 percent, and 26 percent indicated that their produce sales remained the same.

The average number of employees in the produce department increased slightly from three in 1979 to three and one half today. Likewise, sales per labor hour have increased from $75 to $100; however, when adjusted for inflation, the real dollar increase was $32.20 in 1979 and $34.22, in 1983.

To determine what makes up these sales, companies checked from a list what items, besides standard produce items such as fruits and vegetables, were included in their produce sales. The most frequently included items were: refrigerated salad dressings, plants and flowers, health and snack mixes, and chilled juices. In addition, about 27 percent of the companies operated an orange juice machine in at least one of their stores. Overall, supermarkets carried more produce items in both summer and winter than they did in 1979.

Percentage of Companies Including Certain Items in Produce Sales	
Refrig. Salad Dressing	*78.4%*
Floral	*49.0%*
Health/Snack Mixes	*36.1%*
Chilled Juices	*27.4%*

Over three-fourths of all produce is displayed in bulk and over 70 percent is weighed at the front end, a 16 percent increase since 1979.

Produce-Related Services Available to Customers	
Recipes for Produce	*64.4%*
Information on Handling and Storage	*51.9%*
Eating Characteristics and Hints	*50.6%*
Produce Nutritional Information	*49.0%*

Many companies provide produce-related services to their customers, the most popular being recipes for produce, information on handling and storage, eating characteristics and hints, and, nutritional information.

Salad Bars

One of the hottest new trends in the supermarket industry has been the salad bar.

In 1983, salad bars represented three percent of total produce department sales. Approximately 3.2 percent of all stores had salad bars. Of those stores with salad bars, approximately 25 percent have an eating area available for their customers.

The average number of items carried in salad bars is about 30. About half of all stores with salad bars employ an average of 2.5 people who may be full or part-time, to take care of the salad bar. Almost 23 percent have one designated full-time employee.

In addition to providing all of these services for customers, many companies, over 46 percent, have formal produce identification training programs for their produce department employees. Thirty seven percent have programs for their cashiers, and 59 percent have identification accuracy standards.

Bulk Food

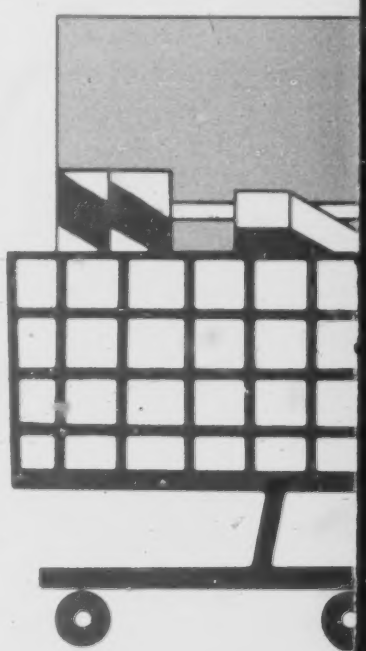
Another important supermarket trend in 1983 was the introduction of an old-fashioned merchandising technique—bulk food. While only 11.1 percent of all stores sold bulk food items, this practice was most popular in the mountain states where 55 percent sold them and in the northeastern states where 39 percent sold bulk food items.

Of those supermarkets selling bulk foods, the average number of items sold was 55. The most popular bulk foods, carried by at least 50 percent of the stores, were: nuts and seeds, trail-mix type product, dried fruit, grains and beans, coffees, peanut butter, preserves, and honey.

Scanning

A continually popular and growing trend in supermarket operations is scanning. In 1982, less than 17 percent of all companies were scanning 100 percent, by the end of 1983, that figure had risen to over 36 percent. Moreover, in 1983 almost two-thirds of all stores with scanning had a full-time person responsible for that function.

The primary uses of scanning data in 1983 were: monitoring



checker performance, specials, coupon accounting, work scheduling and new product evaluation.

Current Uses of Scanning POS Data	
Checker Performance	96.9%
Specials	83.6%
Coupon Accounting	65.6%
Work Scheduling	62.5%
New Product Evaluation	50.8%

Electronic Funds Transfer

Supermarket companies' use of and interest in Automated Tellers Machines (ATM) has grown phenomenally in recent years. As a result, companies are investing considerable time and expense in developing the type of machine which best fits their company's philosophy and their customers' attitudes. ATMs are offered as a service to customers, and just as are the many service departments which are being offered by companies, it has grown in recent years.

Location of ATMs	
Through the Wall	20%
Outside the Supermarket	2%
In front or in the Vestibule	34%
Near Checkouts	33%
Other	12%

According to FMI statistics, the percentage of stores with ATMs has increased in the past two years, from 4.5 percent in 1982 to 8.4 percent in 1983. Plus, 2.9 percent of the stores in the survey had non-ATM electronic banking service available.

ATM Ownership	
Banks	37%
Other Financial Institutions	9%
Supermarket Company	22%
Third Party Service Provider	18%
Other	14%

Of those stores with ATMs, approximately one third positioned the ATM near the store entry and a slightly lower number located them near the checkouts. In almost 40 percent of the cases, banks owned the machines; in 22 percent of the cases, the supermarket company owned the machine.

The majority of the transactions were cash dispensing, 66 percent, 20 percent were balance inquiry and 13 percent were deposit taking. The fact that some state laws do not allow machines taking cash deposits, certainly influences these results.

More companies in 1983 than in the previous year saw a decrease in the check volume at the front end, 16 percent in 1982 to 21 percent in 1983. However, six percent of the companies in 1983 had check volume increases, compared to no increases in 1982. In 1983 when asked the same question regarding cash volume, 74 percent responded that the amount of cash received remained the same, 14 percent said it decreased and 12 percent said it increased.

Rating ATM Operation*	
Customer Convenience	4.1%
Ease of Use	4.1%
Overall Performance	4.0%
Maintenance	4.0%
Hardware Reliability	3.9%
Customer Acceptance	3.7%
Customer Usage	3.3%
Store Savings	3.0%

*1 Indicating Poor and 5 Indicating Excellent

In rating ATM operation performance, companies were most pleased with customer convenience, ease of use of the machine, maintenance and overall performance of the system. Each of these categories received a 4.0 or 4.1 on a scale of 1 to 5, with 5 indicating excellent. Companies were most dissatisfied with store savings, rating this a neutral three.

In most cases, 51.5 percent, complaints about the ATM system were usually received by the bank or financial institution. In 48.5 percent of the cases, supermarket personnel received complaints.

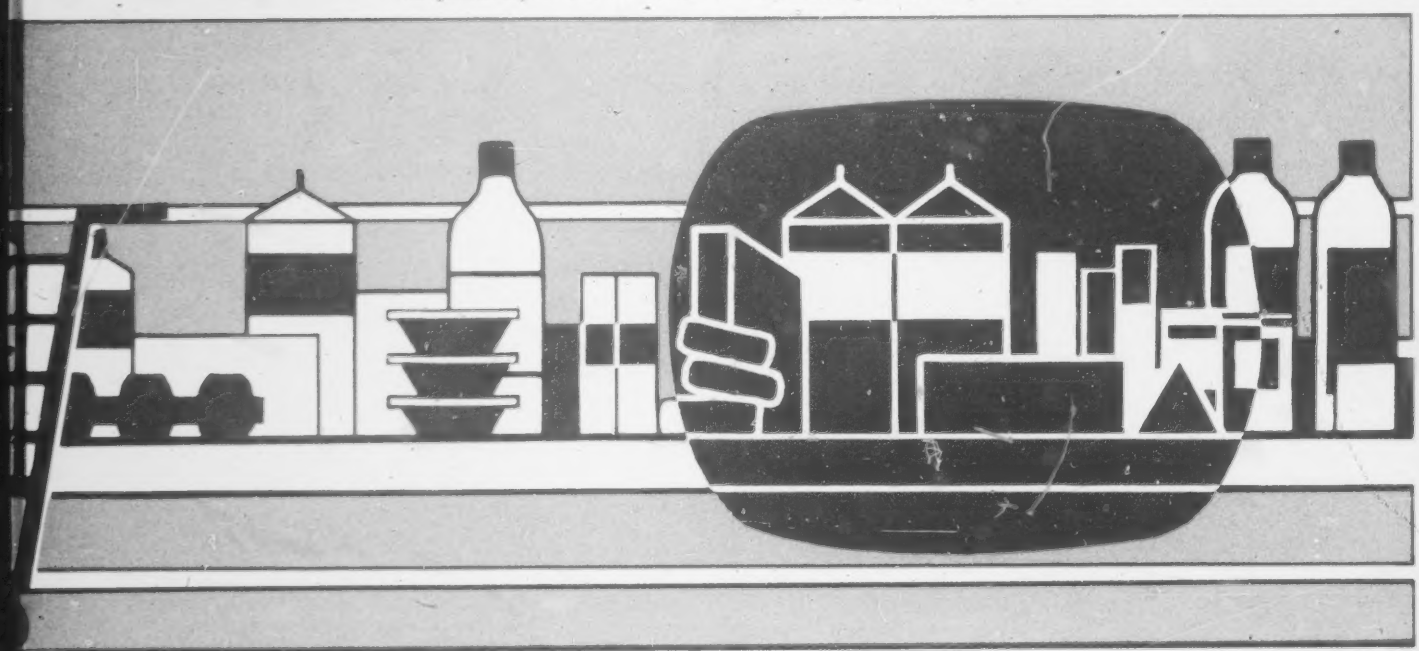
Medical Benefits Costs

Almost 10 percent of the companies responding to the survey offer high blood pressure control and alcohol and chemical abuse control programs to their employees. Fewer than this offer mental health counseling and smoking cessation programs.

Forty percent of the companies have first aid stations available. Health newsletters and brochures are available in 20 percent of the companies, and 14 percent have first aid specialists in their companies.

Over three quarters of the companies offering medical benefits require the employee to pay a deductible. Of the persons paying either individual deductions or family deductions over 35 percent saw an increase in the amount of their deduction.

Medical benefit costs were on the rise in 1983 with 82 percent of the companies reporting an average increase of 26 percent since 1981. Because of the high cost of medical benefits, 80 percent of the companies are considering alternatives for lowering the costs.



STORE DEVELOPMENT

Store Activity

There were fewer new stores built in 1983 than in 1982 or 1981. Three point seven percent of all stores in existence in 1983 were new, whereas 4.3 percent of all stores were closed and 6.3 percent were remodeled. Comparatively speaking, fewer stores opened, fewer stores closed, and fewer stores were remodeled than in 1982. The minimum rent increased for existing stores as did the expected total rent. Over two-thirds of all supermarkets are leased from another company while about 24 percent are owned. Another nine percent are leased from a subsidiary.

New Stores

Of the new stores that were built in 1983, over 41 percent were super stores, over 31 percent were combination stores, and over 16 percent were conventional stores. The new opening percentage for warehouse stores almost doubled to 8.4 from last year's 4.7 percent while the percentage of limited assortment stores continued to be the lowest of any category at 2.6 percent.

The typical new store built in 1983 averaged 38,000 square feet, $57.69 per square foot for total construction cost, and was in operation an average of twelve months before breaking even. New stores in the 80's are continuing to get larger as are the rents for new stores. In 1983, the average minimum rent was $5.52 per square foot while the expected total rent climbed to $6.09 per square foot.

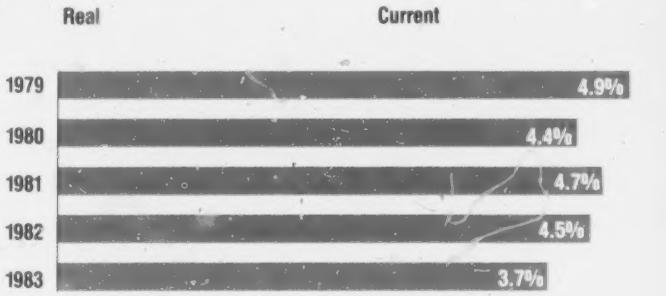
Closings

In 1983, 4.3 percent of all supermarkets closed. Almost 77 percent of those that closed were conventional stores, 14.6 percent were super stores, four percent were limited assortment stores, 3.4 percent were warehouse stores, and 1.2 percent were combination stores. From 1982 to 1983 store closings increased for all types of stores except for super stores.

Remodels

Six and a third percent of the stores were remodeled in 1983. There was an average of seven years between major remodelings and 10 years from a stores first opening to their first remodeling. The typical total capital investment per supermarket for a major remodeling in 1983 was $400,000. The typical capital investment per square foot was $28.29.

New Stores Opened



New Store Total Area in Square Feet

Stores Closed

About the Study

This year's report is the result of food marketing companies participation in several FMI surveys, *Retail Operations, Distribution Center Operations, Operations Review* and *Facts about Store Development.* Nonmembers as well as members were invited to provide company data in many of the surveys. The sample description for five of these questionnaires are presented on the next page. These numbers represent information from approximately 20 percent of the companies invited to participate.

All averages shown in this report are median figures, except where noted. Medians provide a better industry average because the figures are not subject to distortion by unusual extremes. This is very important when a few companies differ very significantly from the marketing average.

When measuring real growth in retail sales and producitivity, *Speaks* uses the CPI food-at-home index as a deflator. The table below charts this deflator.

In this report, FMI defines a supermarket as a retail food store with annual sales of at least $2 million. This report is a summary of key findings of the surveys. Some, however, may have the need for more detailed facts and figures. The supporting tables for this report are found in the companion reports entitled *Detailed Tabulations form the Food Marketing Industry Speaks, 1984 and in Facts about Store Development.*

Index For Deflating Annual Supermarket Sales

	CPI Food at Home	% Increase
1974	162.4	14.9
1975	175.8	8.3
1976	179.5	2.4
1977	190.2	6.0
1978	210.2	10.5
1979	232.9	10.8
1980	251.5	8.0
1981	269.9	7.3
1982	279.2	3.4
1983	292.2	1.1

APPENDIX

Trends in Operating Results

	1979	1980	1981	1982	1983
Gross Profit with Warehouse	22.3%	22.4%	23.0%	23.4%	23.7%
Gross Profit Without Warehouse	20.5%	20.9%	20.9%	21.2%	21.5%
Sales Per Labor Hour	$76.77	$87.27	$89.00	$90.00	$91.00
Sales Per Square Foot	$ 6.49	$ 6.94	$ 6.75	$ 7.90	$ 6.95
Sale Per Customer Transaction	$11.60	$12.10	$14.23	$14.33	$14.60
Average Hourly Labor Cost*	$ 5.92	$ 6.57	$ 7.64	$ 7.93	$ 8.79
Store Labor Expense	8.3%	8.4%	8.5%	8.8%	8.8%
Fringe Benefit Expense	1.8%	1.9%	2.0%	2.1%	2.2%
Net Profit (before taxes)	1.9%	1.5%	1.4%	1.5%	1.3%

*Excluding fringe benefits

Sample Description For *Food Marketing Industry Speaks*

Retail Operations Questionnaire

(Base) Company Retail Sales (millions)	Sample Companies (223)
Under $10	35.9%
$10-$30	22.8%
$31-$100	13.5%
$101-$250	9.9%
$251-$500	9.4%
Over $500	8.5%
	100.0%

EFT Questionnaire

(Base) Company Retail Sales (millions)	Sample Companies (321)
Under $10	27.4%
$10-$30	17.8%
$31-$100	20.2%
$101-$250	13.1%
$251-$500	8.4%
Over $500	13.1%
	100.0%

Distribution Center Operations Questionnaire

(Base) Company Sales (millions)	Sample Wholesale Companies (43)	Sample Retail Companies (38)
Under $30	4.6%	—
$31-$100	34.8%	10.5%
$101-$250	32.6%	23.7%
$251-$500	16.3%	23.7%
Over $500	11.7%	42.1%
	100.0%	100.0%

Produce Questionnaire

(Base) Company Retail Sales (millions)	Sample Companies (241)
Under $10	36.1%
$10-$30	24.9%
$31-$100	17.4%
$101-$250	8.3%
$251-$500	6.2%
Over $500	7.1%
	100.0%

Medical Benefits, Costs Questionnaire

(Base) Company Retail Sales (millions)	Sample Companies (261)
Under $10	30.8%
$10-$30	19.2%
$31-$100	11.5%
$101-$250	17.9%
$251-$500	7.7%
Over $500	12.8%
	100.0%

READER'S COMMENT FORM

Report: The Food Marketing Industry Speaks 1984

YOUR COMMENTS COUNT . . .

FMI uses the comments it receives from readers like you to improve its research publications. Let us hear from you.

Page Number	I had trouble with this section because it seemed unclear.	It would have been easier if the following information had been included

Other Comments:

Additional Copies Available:

Please send me _____ additional copies of this report at the listed price.

Name _____ Title _____

Company _____

Address _____ City _____ State _____ Zip _____

Thank you for your cooperation.

YOUR COMMENTS, PLEASE . . .

This manual is part of a library that serves as a reference source for members of the Food Marketing Institute. Your comments on the other side of this form will be carefully reviewed by the persons responsible for writing and publishing this material.

(FOLD ALONG DOTTED LINE)

NO POSTAGE NECESSARY IF MAILED IN THE UNITED STATES

BUSINESS REPLY MAIL

FIRST CLASS PERMIT NO. 11911 WASHINGTON, D.C.

POSTAGE WILL BE PAID BY ADDRESSEE

Food Marketing Institute, Inc.
Research Division
1750 K Street, N.W.
Washington, D.C. 20006

(CUT ALONG DOTTED LINE)

(FOLD ALONG DOTTED LINE)

5.2

Detailed Tabulations

The Food Marketing Industry Speaks 1984

Published by:

The Research Division
Food Marketing Institute
1750 K Street, N.W.
Washington, DC 20006

Food Marketing Industry Speaks, 1984 and
Detailed Tabulations from the Food Marketing
Industry Speaks, 1984
FMI Members: $15.00
Nonmembers: $30.00

Copyright 1984 by:
Food Marketing Institute
Printing in U.S.A.

The Food Marketing Institute (FMI) is a non-profit association that conducts programs in research, education and public affairs on behalf of its 1,300 members—food retailers and wholesalers and their customers in the United States and overseas. FMI's domestic member companies operate over 17,000 retail food stores with a combined annual sales volume of $130 billion—half of all grocery sales in the United States. More than three-fourths of FMI's membership is comprised of independent supermarket operators or small regional firms. Its international membership includes more than 100 members from 40 nations.

Foreword

This publication is the companion report to The Food Marketing Industry Speaks, 1984. It contains the detailed tabulations for the information summarized in that report.

An annual survey of food wholesalers and retailers is the primary source of information for this report. Any data not taken from FMI's Speaks surveys are indicated by a footnote.

Data are for 1983. Company sales data are reported on an annual basis; productivity data, sales per labor hour, square foot or transaction, are reported on a weekly basis.

Except where noted, averages in these tables are mean figures; all others are medians. A median represents the halfway or middle figure when all figures are listed in order from the smallest to the largest. Medians are only presented when four or more companies in a category answered the question, except for distribution centers when it is three or more.

In addition to presenting data for wholesale and retail operations, Speaks, 1984 also includes a section on dry grocery and refrigerated food distribution centers. Figures in this section are presented for both wholesalers and retailers, as well as for all companies.

Subject areas explored in depth this year are the produce department, electronic funds transfer and medical benefits.

Data for store profiles are found in Tables 155A and 155B. In these tables sales and productivity figures are presented for four different types of grocery stores. For example, average sale per customer transaction is shown for conventional stores, super stores, combination stores and warehouse stores.

In order to insure the confidentiality of individual companies, some data within different subcategories have been changed plus or minus one percent.